

October 27, 2015

John J. Pringle, Jr.  
Direct: 803.343.1270  
E-Fax: 803.343.1238  
jack.pringle@arlaw.com

**FILED ELECTRONICALLY**

The Honorable Jocelyn G. Boyd  
Clerk

**South Carolina Public Service Commission**  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RE: Application of Daufuskie Island Utility Company, Inc. for Approval of Water and  
Sewer Rates, Terms and Conditions  
**Docket No. 2014—346-WS**

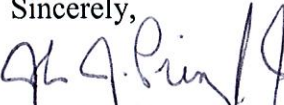
Dear Jocelyn:

Attached for filing please find the **Settlement Agreement** (“Settlement”) by and among Haig Point Club and Community Association, Inc. (“HPCCA”); Melrose Property Owner’s Association, Inc. (“MPOA”); Bloody Point Property Owner’s Association (“BPPOA”) (collectively the “POAs”) and the Office of Regulatory Staff of South Carolina (“ORS”).

The POAs are aware of the Commission’s Settlement Procedures, and understand that the Settlement is being filed on the day before the hearing in this Docket. However, this Settlement is the result of a great deal of communication and collaboration between the POAs and the ORS, and is being filed at the first possible opportunity following its negotiation and execution.

The revenue reflected in the Settlement reflects all of the adjustments made by the ORS, with the exception that the ORS amended its bad debt methodology to utilize the methodology proposed by Daufuskie Island Utility Company, Inc. (the “Company”) in its Application. No other changes were made by ORS in reaching the Settlement.

If you have any questions, please do not hesitate to contact me.

Sincerely,  
  
John J. Pringle, Jr.

cc: parties of record (via electronic mail service)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**  
**OCTOBER 27, 2014**

IN RE:

Application of Daufuskie Island Utility	)	
Company, Incorporated for Approval	)	
of an Increase for Water and Sewer Rates,	)	<b>SETTLEMENT AGREEMENT</b>
Terms and Conditions	)	
_____	)	

This Settlement Agreement is made by and among Haig Point Club and Community Association, Inc. (“HPCCA”); Melrose Property Owner’s Association, Inc. (“MPOA”); Bloody Point Property Owner’s Association (“BPPOA”) (collectively the “POAs”) and the Office of Regulatory Staff of South Carolina (“ORS”), (all hereinafter collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, on June 11, 2015, DIUC filed with the Public Service Commission of South Carolina (“Commission”) an Application for Approval of an Adjustment in Rates and Charges for Water and Sewer Services (“Application”);

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the other parties in this case, Daufuskie Island Utility Company, Incorporated (“DIUC” or “the Company”) and Beach Field Properties, LLC (“Beach Field”), are not signatories to this Settlement Agreement;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C.

Code Ann. § 58-5-240 (Supp. 2014) and 10 S.C. Code Ann. Regs. 103-503, 103-512.4.A, 103-703 and 103-712.4.A;

WHEREAS, as calculated by ORS, the Company provides water supply/distribution services to 680 active residential and commercial service units and wastewater collection/treatment services to 493 active residential and commercial service units, all of which is located on Daufuskie Island, in Beaufort County, South Carolina;

WHEREAS, ORS examined the books and records of the Company relative to the issues raised in the Application and conducted financial, business, and site inspections of DIUC; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in their best interests and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for water and wastewater service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties agree to stipulate into the record the pre-filed testimonies and exhibits of the following without objection or cross examination:

A. ORS

1. Douglas H. Carlisle (direct)
2. Ivana C. Gearheart (direct)
3. Willie J. Morgan (direct and surrebuttal)

B. HPCCA, MPOA, and BPPOA

1. Lynn M. Lanier (direct)
2. Charles Loy (direct and surrebuttal)

3. Paul Vogel (direct)
4. Tony Simonelli (direct)
5. Doug Egly (direct)
6. Harry Jue (direct)

2. By and between these Parties, the Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits and this Settlement Agreement unless the additional evidence is in support of the Settlement Agreement or to respond to Commission questions. The Parties agree that nothing herein will preclude each party from advancing its respective positions in the event that the Commission does not approve the Settlement Agreement.

3. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. Settlement Agreement Exhibit 2 shows the percentage increase for the rates.

4. The Parties agree that the rates in Settlement Agreement Exhibits 1 and 2 along with the adjustments and revenues in Settlement Agreement Exhibits 3, 4 and 5 are fair, just, and reasonable to customers of the Company's system while also providing the opportunity to earn a fair operating margin which produces additional revenues of \$462,798. The Parties stipulate that the resultant operating margin is 16.18% with a return on equity of 9.28%.

5. The Parties agree to accept all adjustments and recommendations in ORS's testimony and exhibits, as modified by this Settlement Agreement and its Exhibits.

6. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding.

7. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2014). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

8. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

9. This Settlement Agreement shall be interpreted according to South Carolina law.

10. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

11. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

12. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

**[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**

**Representing and binding the South Carolina Office of Regulatory Staff**

Shannon B. Hudson

Shannon Bowyer Hudson, Esquire

Andrew M. Bateman, Esquire

**South Carolina Office of Regulatory Staff**

1401 Main Street, Suite 900

Columbia, South Carolina 29201

Tel.: (803) 737-0889

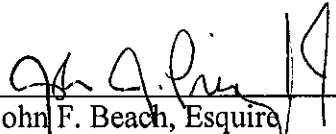
(803) 737-8440

Fax: (803) 737-0895

E-mail: [abateman@regstaff.sc.gov](mailto:abateman@regstaff.sc.gov)

[shudson@regstaff.sc.gov](mailto:shudson@regstaff.sc.gov)

**Representing and binding the Haig Point Club and Community Association, Inc., Melrose  
Property Owner's Association, Inc., and the Bloody Point Property Owner's Association:**



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John F. Beach, Esquire

John J. Pringle, Jr., Esquire

Lyndey Ritz Zwing, Esquire

**Adams and Reese, LLP**

1501 Main Street, 5<sup>th</sup> Floor

Post Office Box 2285 (29202)

Columbia, South Carolina 29201

Phone: (803) 343-1270

Fax: (803) 779-4749

Email: [Jack.pringle@arlaw.com](mailto:Jack.pringle@arlaw.com)

[john.beach@arlaw.com](mailto:john.beach@arlaw.com)

[Lyndey.zwing@arlaw.com](mailto:Lyndey.zwing@arlaw.com)



**Daufuskie Island Utility Company, Inc.**  
**Schedule of Current and Proposed Rates**  
**Docket No. 2014-346-WS**

		<u>Haig Pt. Settlement Rates</u>	<u>Melrose Settlement Rates</u>
<b>I. Residential Rates</b>			
<b>A. <u>Water:</u></b>			
1) Tapping Fees & 3/4" Meter Box		\$500.00	\$500.00
2) Base Quarterly Charge		\$80.81	\$105.05
3) Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$4.41	\$4.41
	Over 22,500 gallons	\$4.41	\$4.41
<b>B. <u>Sewer:</u></b>			
1) Tapping Fees & Service Lateral		\$500.00	\$500.00
2) Base Quarterly Charge		\$143.65	\$105.05
3) Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.38	\$2.38
	Over 22,500 gallons	\$2.38	\$2.38
<b>C. <u>Irrigation:</u></b>			
1) Tapping Fees & 3/4" Meter Box		\$500.00	\$500.00
2) Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$4.85	\$4.85
	18,001 to 60,000 gallons	\$5.73	\$5.73
	Over 60,000 gallons	\$6.61	\$6.61
<b>II. <u>Commercial Rates</u></b>			
<b>A. <u>Water:</u></b>			
1) Tapping Fees per Hotel or Inn Room		\$250.00	\$250.00
2) Tapping Fees up to 1-1/2" Meter		\$500.00	\$500.00
3) Tapping Fees 2" or 3" Meter		\$1,500.00	\$1,500.00
4) Tapping Fees for 6" Meter		\$3,500.00	\$3,500.00
Note: Larger meters on a case by case basis.			
5) Base Quarterly Charge		\$113.17	\$177.77
6) Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$4.41	\$4.41
	Over 22,500 gallons	\$4.41	\$4.41
<b>B. <u>Sewer:</u></b>			
1) Tapping Fees per Hotel or Inn Room		\$250.00	\$250.00
2) Tapping Fees 4" - 8" Sewer Pipe		\$500.00	\$500.00
3) Base Quarterly Charge		\$231.93	\$177.77
4) Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	\$2.38	\$2.38
	Over 22,500 gallons	\$2.38	\$2.38
<b>C. <u>Irrigation:</u></b>			
1) Tapping Fees & 3/4" Meter Box		\$500.00	\$500.00
2) Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	\$4.85	\$4.85
	18,001 to 60,000 gallons	\$5.73	\$5.73
	Over 60,000 gallons	\$6.61	\$6.61

**III. Availability Rates (Quarterly)**

A. <u>Water</u>	\$40.40	\$99.38
B. <u>Sewer</u>	\$71.83	\$110.72

**III. Special Conditions****A. Tapping Fees:**

*Haig Point* - Capacity in the water and sewer systems has been reserved for purchasers of lots and/or building sites at Haig Point. Tapping Fees must have been paid and water and sewer charges commenced within five years from purchase date.\*

\*This applies to lots purchased prior to date of this order, but not to lots sold after the date of this order. (See Commission Order No. 93-761 in Docket No. 87-333-WS)

*Melrose* - Capacity in the water and sewer systems has been reserved for purchasers of lots and/or building sites at Haig Point. Tapping Fees must have been paid and water and sewer charges commenced within five years from purchase date.

- B. Backflow Prevention: All irrigation systems and pipes running from potable water lines must have approved backflow prevention devices installed.
- C. System Development Charge: Should new customers or their agent(s) petition to connect to the systems where there are no existing lines, pumps, hydrants, etc.; and should such petitions be approved, the following requirements shall apply:

1. New customers or their agent(s) shall be responsible for the cost of installation of the new water and sewer systems, including points of connection with existing systems and effluent return systems. The Installation shall be according to the requirements and satisfaction to the utility company, and costs shall include observation, testing, and certification services provided by utility company.

2. New customers or their agent(s) who install their systems must pay an amount equal to their share of the net investment in the existing plant and system facilities. This payment, on a cost per gallon of design flow, will be made according to the System Buy -in Pricing Basis (AWWA Manual 26, First Edition), based on the following formula.

a. System Original Cost	-	Accumulated Depreciation	= Net Cost
b. Net Cost	-	Outstanding Debt	= Total Equity*
<u>Total Equity Investment</u>			
System Water or Sewer			
c. Flow (Total design gallons per day)			= \$/gallons

\*For these calculations, the utility company's annual report to the PSC for the preceding year shall be used. Extra strength wastewaters will be charged accordingly.

**DAUFUSKIE ISLAND UTILITY COMPANY, INC.**  
**2014-346-WS**  
**REVENUE IMPACT ANALYSIS**

Settlement EXHIBIT WJM-2

**Calculated DIUC Test Year Revenue Overview**

	Customer Type	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues <sup>1</sup>
<b>WATER</b>	<b>Haig Point RESIDENTIAL WATER</b>	3/4" Residential			1,061	\$62.09	\$65,877
		0 to 22,500 gallons	8,360,179	\$2.76			\$23,074
		Over 22,500 gallons	3,192,728	\$2.76			\$8,812
	<b>Haig Point RESIDENTIAL &amp; COMMERCIAL IRRIGATION</b>				727		
		0 to 18,000 gallons	8,367,838	\$2.76			\$23,095
		18,001 to 60,000 gallons	9,829,270	\$3.09			\$30,372
	<b>Melrose RESIDENTIAL WATER</b>	Over 60,000 gallons	10,049,342	\$3.50			\$35,173
		3/4" Residential			452	\$80.72	\$36,485
		0 to 22,500 gallons	4,105,940	\$0.00			\$0
	<b>Melrose RESIDENTIAL &amp; COMMERCIAL IRRIGATION</b>	Over 22,500 gallons	2,177,808	\$2.44			\$5,314
					100		
		0 to 18,000 gallons	1,368,330	\$1.66			\$2,271
	<b>Haig Point COMMERCIAL WATER</b>	18,001 to 60,000 gallons	2,002,230	\$1.66			\$3,324
		Over 60,000 gallons	2,986,298	\$1.66			\$4,957
		Commercial			106	\$86.93	\$9,215
<b>SEWER</b>	<b>Haig Point RESIDENTIAL SEWER</b>	0 to 22,500 gallons	2,413,190	\$2.76			\$6,660
		Over 22,500 gallons	2,132,690	\$2.76			\$5,886
	<b>Melrose COMMERCIAL WATER</b>	Commercial			329	\$136.60	\$44,941
		0 to 22,500 gallons	1,752,659	\$0.00			\$0
		Over 22,500 gallons	2,544,703	\$2.44			\$6,209
		<b>Water Service Total</b>	<b>61,283,205</b>		<b>2,775</b>		<b>\$311,665</b>
	<b>Haig Point RESIDENTIAL SEWER</b>	Residential			1,061	\$110.38	\$117,113
		0 to 22,500 gallons	8,360,179	\$1.32			\$11,035
		Over 22,500 gallons	3,192,728	\$1.32			\$4,214
	<b>Melrose RESIDENTIAL SEWER</b>	Residential			448	\$80.72	\$36,163
		0 to 22,500 gallons	3,926,008	\$0.00			\$0
		Over 22,500 gallons	2,296,390	\$1.77			\$4,065
	<b>Haig Point COMMERCIAL SEWER</b>	Commercial			102	\$178.21	\$18,177
		0 to 22,500 gallons	2,362,530	\$1.32			\$3,119
		Over 22,500 gallons	2,132,690	\$1.32			\$2,815
	<b>Melrose COMMERCIAL SEWER</b>	Commercial			329	\$136.60	\$44,941
		0 to 22,500 gallons	1,559,487	\$0.00			\$0
		Over 22,500 gallons	2,436,565	\$1.77			\$4,313
		<b>Sewer Service Total</b>	<b>26,266,577</b>		<b>1,940</b>		<b>\$245,955</b>
Total Residential Water and Sewer Service Revenue							\$312,152
Total Commercial Water and Sewer Service Revenue							\$146,276
Total Irrigation Service Revenue							\$99,192
<b>Total Water and Sewer Service Revenues</b>							<b>\$557,620</b>
Availability Billing - Haig Point (Water)					1,917	\$31.04	\$59,504
Availability Billing - Melrose (Water)					1,617	\$76.36	\$123,474
Availability Billing - Bloody Point (Water)					368	\$76.36	\$28,100
Availability Billing - Haig Point (Sewer)					1,917	\$55.19	\$105,799
Availability Billing - Melrose (Sewer)					1,617	\$85.08	\$137,574
Availability Billing - Bloody Point (Sewer)					368	\$85.08	\$31,309
<b>Total Availability Billing</b>							<b>\$485,760</b>
Misc. Other Revenue - Other Revenue							\$11,000
Misc. Other Revenue - Other Revenue (Return Check Fee)							\$25
Misc. Other Revenue - Late Fees (Metered Sales)							\$6,058
Misc. Other Revenue - Late Fees (Availability Charges)							\$13,114
<b>Total Misc. Other Revenue</b>							<b>\$30,197</b>
<b>Total Operating Revenues</b>							<b>\$1,073,577</b>

<sup>1</sup> Deposits and Interest on Deposits are not included in any of the above computations. Consumption and Units reflected as reported during test year.

**DAUFUSKIE ISLAND UTILITY COMPANY, INC.**  
**2014-346-WS**  
**REVENUE IMPACT ANALYSIS**

Settlement EXHIBIT WJM-2

**Calculated DIUC Proposed Revenue Overview at 9.28%**

	Customer Type	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues at Proposed Rates <sup>1</sup>	Increase Amount	% Increase
WATER	Haig Point RESIDENTIAL WATER	3/4" Residential			1,061	\$80.81	\$85,739	\$19,862	30.15%
		0 to 22,500 gallons	8,360,179	\$4.41			\$36,868	\$13,794	59.78%
		Over 22,500 gallons	3,192,728	\$4.41			\$14,080	\$5,268	59.78%
	Haig Point RESIDENTIAL & COMMERCIAL IRRIGATION				727		\$0		
		0 to 18,000 gallons	8,367,838	\$4.85			\$40,584	\$17,489	75.73%
		18,001 to 60,000 gallons	9,829,270	\$5.73			\$56,322	\$25,950	85.44%
	Melrose RESIDENTIAL WATER	Over 60,000 gallons	10,049,342	\$6.61			\$66,426	\$31,253	88.86%
		3/4" Residential			452	\$105.05	\$47,483	\$10,998	30.14%
		0 to 22,500 gallons	4,105,940	\$4.41			\$18,107	\$18,107	N/A
	Melrose RESIDENTIAL & COMMERCIAL IRRIGATION	Over 22,500 gallons	2,177,808	\$4.41			\$9,604	\$4,290	80.73%
					100		\$0		
		0 to 18,000 gallons	1,368,330	\$4.85			\$6,636	\$4,365	192.21%
	Haig Point COMMERCIAL WATER	18,001 to 60,000 gallons	2,002,230	\$5.73			\$11,473	\$8,149	245.16%
		Over 60,000 gallons	2,986,298	\$6.61			\$19,739	\$14,782	298.20%
		Commercial			106	\$113.17	\$11,996	\$2,781	30.18%
	Melrose COMMERCIAL WATER	0 to 22,500 gallons	2,413,190	\$4.41			\$10,642	\$3,982	59.79%
		Over 22,500 gallons	2,132,690	\$4.41			\$9,405	\$3,519	59.79%
Commercial				329	\$177.77	\$58,486	\$13,545	30.14%	
SEWER	Haig Point RESIDENTIAL SEWER	0 to 22,500 gallons	1,752,659	\$4.41			\$7,729	\$7,729	N/A
		Over 22,500 gallons	2,544,703	\$4.41			\$11,222	\$5,013	80.74%
	Melrose RESIDENTIAL SEWER	Water Service Total	61,283,205		2,775		\$522,541	\$210,876	67.66%
		Residential			1,061	\$143.65	\$152,413	\$35,300	30.14%
		0 to 22,500 gallons	8,360,179	\$2.38			\$19,897	\$8,862	80.31%
	Haig Point COMMERCIAL SEWER	Over 22,500 gallons	3,192,728	\$2.38			\$7,599	\$3,385	80.33%
		Residential			448	\$105.05	\$47,062	\$10,899	30.14%
		0 to 22,500 gallons	3,926,008	\$2.38			\$9,344	\$9,344	N/A
	Melrose COMMERCIAL SEWER	Over 22,500 gallons	2,296,390	\$2.38			\$5,465	\$1,400	34.44%
		Commercial			102	\$231.93	\$23,657	\$5,480	30.15%
		0 to 22,500 gallons	2,362,530	\$2.38			\$5,623	\$2,504	80.28%
	Haig Point RESIDENTIAL WATER	Over 22,500 gallons	2,132,690	\$2.38			\$5,076	\$2,261	80.32%
		Commercial			329	\$177.77	\$58,486	\$13,545	30.14%
		0 to 22,500 gallons	1,559,487	\$2.38			\$3,712	\$3,712	N/A
	Melrose RESIDENTIAL & COMMERCIAL IRRIGATION	Over 22,500 gallons	2,436,565	\$2.38			\$5,799	\$1,486	34.45%
Sewer Service Total		26,266,577		1,940		\$344,133	\$98,178	39.92%	
Total Residential Water and Sewer Service Revenue						\$453,661	\$141,509	45.33%	
Total Commercial Water and Sewer Service Revenue						\$211,833	\$65,557	44.82%	
Total Irrigation Service Revenue						\$201,180	\$101,988	102.82%	
Total Water and Sewer Service Revenues						\$866,674	\$309,054	55.42%	
Availability Billing - Haig Point (Water)				1,917	\$40.40	\$77,447	\$17,943	30.15%	
Availability Billing - Melrose (Water)				1,617	\$99.38	\$160,697	\$37,223	30.15%	
Availability Billing - Bloody Point (Water)				368	\$99.38	\$36,572	\$8,472	30.15%	
Availability Billing - Haig Point (Sewer)				1,917	\$71.83	\$137,698	\$31,899	30.15%	
Availability Billing - Melrose (Sewer)				1,617	\$110.72	\$179,034	\$41,460	30.14%	
Availability Billing - Bloody Point (Sewer)				368	\$110.72	\$40,745	\$9,436	30.14%	
Total Availability Billing				7,804		\$632,193	\$146,433	30.15%	
Misc. Other Revenue - Other Revenue						\$11,000	\$0	0.00%	
Misc. Other Revenue - Other Revenue (Return Check Fee)						\$25	\$0	0.00%	
Misc. Other Revenue - Late Fees (Metered Sales)						\$9,416	\$3,358	55.43%	
Misc. Other Revenue - Late Fees (Availability Charges)						\$17,067	\$3,953	30.14%	
Total Misc. Other Revenue						\$37,508	\$7,311	24.21%	
Total Operating Revenues						\$1,536,375	\$462,798	43.11%	

<sup>1</sup> Deposits and Interest on Deposits are not included in any of the above computations. Consumption and Units reflected as reported during test year.

**Daufuskie Island Utility Company, Inc.**  
**Docket No. 2014-346-WS**  
**Operating Experience, Rate Base, and Rates of Return**  
**For the Test Year Ended December 31, 2014**  
**Combined Operations**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b><u>OPERATING REVENUE</u></b>					
Residential revenue	307,239	4,913 1a	312,152	141,509 18a	453,661
Commercial Revenue	151,056	(4,780) 1b	146,276	65,557 18b	211,833
Irrigation Revenue	98,309	883 1c	99,192	101,988 18c	201,180
Availability Billing	489,665	(3,905) 2	485,760	146,433 19	632,193
Misc. Other Revenue	30,193	4 3	30,197	7,311 20	37,508
<b><u>TOTAL OPERATING REVENUE</u></b>	<b><u>1,076,462</u></b>	<b><u>(2,885)</u></b>	<b><u>1,073,577</u></b>	<b><u>462,798</u></b>	<b><u>1,536,375</u></b>
<b><u>OPERATION AND MAINTENANCE EXPENSES</u></b>					
Operation and Maintenance Expenses	848,818	(122,422) 4	726,396	6,194 21	732,590
<b><u>TOTAL OPERATION AND MAINTENANCE EXPENSES</u></b>	<b><u>848,818</u></b>	<b><u>(122,422)</u></b>	<b><u>726,396</u></b>	<b><u>6,194</u></b>	<b><u>732,590</u></b>
Depreciation and Amortization Expense	73,072	(2,002) 5	71,070	0	71,070
Amortization of Rate Case Expenses	92,420	(42,308) 6	50,112	0	50,112
Taxes Other than Income Tax Expense	23,440	139,849 7	163,289	3,964 22	167,253
Income Tax Expense	0	0 8	0	147,179 23	147,179
<b><u>TOTAL OPERATING EXPENSES</u></b>	<b><u>1,037,750</u></b>	<b><u>(26,883)</u></b>	<b><u>1,010,867</u></b>	<b><u>157,337</u></b>	<b><u>1,168,204</u></b>
<b><u>NET OPERATING INCOME</u></b>	<b><u>38,712</u></b>	<b><u>23,998</u></b>	<b><u>62,710</u></b>	<b><u>305,461</u></b>	<b><u>368,171</u></b>
Add: Customer Growth	0	286 9	286	939 24	1,225
<b><u>NET INCOME (LOSS) FOR RETURN</u></b>	<b><u>38,712</u></b>	<b><u>24,284</u></b>	<b><u>62,996</u></b>	<b><u>306,400</u></b>	<b><u>369,396</u></b>
<b><u>ORIGINAL COST RATE BASE:</u></b>					
Gross Plant in Service	7,964,379	(1,624,696) 10	6,339,683	0	6,339,683
Accumulated Depreciation	(790,024)	(141,198) 11	(931,222)	0	(931,222)
Construction Work In Progress (CWIP)	254,853	(254,853) 12	0	0	0
Contributions in Aid of Construction	(660,295)	0 13	(660,295)	0	(660,295)
Accumulated Amortization of CIAC	69,269	213 14	69,482	0	69,482
Net Plant	6,838,182	(2,020,534)	4,817,648	0	4,817,648
Working Capital	75,842	69,437 15	145,279	0	145,279
Unamortized Balances	0	0 16	0	0	0
<b><u>TOTAL RATE BASE</u></b>	<b><u>6,914,024</u></b>	<b><u>(1,951,097)</u></b>	<b><u>4,962,927</u></b>	<b><u>0</u></b>	<b><u>4,962,927</u></b>
<b><u>RETURN ON RATE BASE</u></b>	<b><u>0.56%</u></b>		<b><u>1.27%</u></b>		<b><u>7.44%</u></b>
<b><u>OPERATING MARGIN</u></b>	<b><u>-12.90%</u></b>		<b><u>-5.38%</u></b>		<b><u>16.18%</u></b>
<b><u>INTEREST EXPENSE</u></b>	<b><u>177,526</u></b>	<b><u>(56,759) 17</u></b>	<b><u>120,767</u></b>	<b><u>0</u></b>	<b><u>120,767</u></b>

**Daufuskie Island Utility Company, Inc.**  
**Docket No. 2014-346-WS**  
**Operating Experience, Rate Base, and Rates of Return**  
**For the Test Year Ended December 31, 2014**  
**Water Operations**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b><u>OPERATING REVENUE</u></b>					
Water Residential	139,071	491 1a	139,562	72,319 18a	211,881
Water Commercial	72,479	432 1b	72,911	36,569 18b	109,480
Water Irrigation	98,309	883 1c	99,192	101,988 18c	201,180
Availability Billing	213,004	(1,926) 2	211,078	63,638 19	274,716
Misc. Other Revenue	20,444	(715) 3	19,729	4,389 20	24,118
<b><u>TOTAL OPERATING REVENUE</u></b>	<b>543,307</b>	<b>(835)</b>	<b>542,472</b>	<b>278,903</b>	<b>821,375</b>
<b><u>WATER OPERATION AND MAINTENANCE EXPENSES</u></b>					
Operation and Maintenance Expense	469,605	(68,723) 4	400,882	3,733 21	404,615
<b><u>TOTAL OPERATING AND MAINTENANCE EXPENSES</u></b>	<b>469,605</b>	<b>(68,723)</b>	<b>400,882</b>	<b>3,733</b>	<b>404,615</b>
Depreciation and Amortization Expense	36,921	(6,383) 5	30,538	0	30,538
Amortization of Rate Case Expenses	46,210	(21,154) 6	25,056	0	25,056
Taxes Other than Income Tax Expense	11,748	69,946 7	81,694	2,389 22	84,083
Income Tax Expense	0	0 8	0	87,417 23	87,417
<b><u>TOTAL OPERATING EXPENSES</u></b>	<b>564,484</b>	<b>(26,314)</b>	<b>538,170</b>	<b>93,539</b>	<b>631,709</b>
<b><u>NET OPERATING INCOME</u></b>	<b>(21,177)</b>	<b>25,479</b>	<b>4,302</b>	<b>185,364</b>	<b>189,666</b>
Add: Customer Growth	0	0 9	0	351 24	351
<b><u>NET INCOME (LOSS) FOR RETURN</u></b>	<b>(21,177)</b>	<b>25,479</b>	<b>4,302</b>	<b>185,715</b>	<b>190,017</b>
<b><u>ORIGINAL COST RATE BASE:</u></b>					
Gross Plant in Service	3,899,032	(1,353,024) 10	2,546,008	0	2,546,008
Accumulated Depreciation	(382,950)	(80,727) 11	(463,677)	0	(463,677)
Construction Work In Progress (CWIP)	29,511	(29,511) 12	0	0	0
Contributions in Aid of Construction	(458,500)	0 13	(458,500)	0	(458,500)
Accumulated Amortization of CIAC	51,580	39 14	51,619	0	51,619
Net Plant	3,138,673	(1,463,223)	1,675,450	0	1,675,450
Working Capital	0	80,176 15	80,176	0	80,176
Unamortized Balances	0	0 16	0	0	0
<b><u>TOTAL RATE BASE</u></b>	<b>3,138,673</b>	<b>(1,383,047)</b>	<b>1,755,626</b>	<b>0</b>	<b>1,755,626</b>
<b><u>RETURN ON RATE BASE</u></b>	<b>-0.67%</b>		<b>0.25%</b>		<b>10.82%</b>
<b><u>OPERATING MARGIN</u></b>	<b>-20.24%</b>		<b>-7.08%</b>		<b>17.93%</b>
<b><u>INTEREST EXPENSE</u></b>	<b>88,763</b>	<b>(46,042) 17</b>	<b>42,721</b>	<b>0</b>	<b>42,721</b>

**Daufuskie Island Utility Company, Inc.**  
**Docket No. 2014-346-WS**  
**Operating Experience, Rate Base, and Rates of Return**  
**For the Test Year Ended December 31, 2014**  
**Sewer Operations**

Settlement Exhibit ICG-5  
Page 1 of 1

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b><u>OPERATING REVENUE</u></b>					
Sewer Residential	168,168	4,422 1a	172,590	69,190 18a	241,780
Sewer Commercial	78,577	(5,212) 1b	73,365	28,988 18b	102,353
Sewer Irrigation	0	0 1c	0	0 18c	0
Availability Billing	276,661	(1,979) 2	274,682	82,795 19	357,477
Misc. Other Revenue	9,749	719 3	10,468	2,922 20	13,390
<b><u>TOTAL OPERATING REVENUE</u></b>	<b>533,155</b>	<b>(2,050)</b>	<b>531,105</b>	<b>183,895</b>	<b>715,000</b>
<b><u>SEWER OPERATION AND MAINTENANCE EXPENSES</u></b>					
Operation and Maintenance Expense	379,213	(53,699) 4	325,514	2,461 21	327,975
<b><u>TOTAL OPERATING AND MAINTENANCE EXPENSES</u></b>	<b>379,213</b>	<b>(53,699)</b>	<b>325,514</b>	<b>2,461</b>	<b>327,975</b>
Depreciation and Amortization Expense	36,151	4,381 5	40,532	0	40,532
Amortization of Rate Case Expenses	46,210	(21,154) 6	25,056	0	25,056
Taxes Other than Income Tax Expense	11,692	69,903 7	81,595	1,575 22	83,170
Income Tax Expense	0	0 8	0	59,762 23	59,762
<b><u>TOTAL OPERATING EXPENSES</u></b>	<b>473,266</b>	<b>(569)</b>	<b>472,697</b>	<b>63,798</b>	<b>536,495</b>
<b><u>NET OPERATING INCOME</u></b>	<b>59,889</b>	<b>(1,481)</b>	<b>58,408</b>	<b>120,097</b>	<b>178,505</b>
Add: Customer Growth	0	286 9	286	588 24	874
<b><u>NET INCOME (LOSS) FOR RETURN</u></b>	<b>59,889</b>	<b>(1,195)</b>	<b>58,694</b>	<b>120,685</b>	<b>179,379</b>
<b><u>ORIGINAL COST RATE BASE:</u></b>					
Gross Plant in Service	4,065,347	(271,672) 10	3,793,675	0	3,793,675
Accumulated Depreciation	(407,074)	(60,471) 11	(467,545)	0	(467,545)
Construction Work In Progress (CWIP)	225,342	(225,342) 12	0	0	0
Contributions in Aid of Construction	(201,795)	0 13	(201,795)	0	(201,795)
Accumulated Amortization of CIAC	17,689	174 14	17,863	0	17,863
Net Plant	3,699,509	(557,311)	3,142,198	0	3,142,198
Working Capital	75,842	(10,739) 15	65,103	0	65,103
Unamortized Balances	0	0 16	0	0	0
<b><u>TOTAL RATE BASE</u></b>	<b>3,775,351</b>	<b>(568,050)</b>	<b>3,207,301</b>	<b>0</b>	<b>3,207,301</b>
<b><u>RETURN ON RATE BASE</u></b>	<b>1.59%</b>		<b>1.83%</b>		<b>5.59%</b>
<b><u>OPERATING MARGIN</u></b>	<b>-5.42%</b>		<b>-3.64%</b>		<b>14.17%</b>
<b><u>INTEREST EXPENSE</u></b>	<b>88,763</b>	<b>(10,717) 17</b>	<b>78,046</b>	<b>0</b>	<b>78,046</b>

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2014-346-WS**

RE:

Application of Daufuskie Island Utility  
Company, Inc. for Approval for Water  
and Sewer Rates, Terms and Conditions

**CERTIFICATE OF SERVICE**

This is to certify that I have caused to be served this day the **Settlement Agreement** via electronic mail service as follows:

G. Trenholm Walker, Esquire  
[gtw@p-tw.com](mailto:gtw@p-tw.com)

Thomas P. Gressette, Esquire  
[tpg@p-tw.com](mailto:tpg@p-tw.com)

Nancy Jane Dennis  
[njd@p-tw.com](mailto:njd@p-tw.com)

John Bowen  
[jbowen@mcnair.net](mailto:jbowen@mcnair.net)  
Peg Fox  
[pfox@mcnair.net](mailto:pfox@mcnair.net)

Andrew Bateman  
[abateman@regstaff.sc.gov](mailto:abateman@regstaff.sc.gov)  
Shannon Hudson  
[shudson@regstaff.sc.gov](mailto:shudson@regstaff.sc.gov)

s/John J. Pringle, Jr.  
John J. Pringle, Jr.

October 27, 2015  
Columbia, South Carolina